**Abstract**

During the last six decades a number of significant changes have taken place in the Indian economy. These changes point to the fact that the Indian economy should not be classified along with other less developed nations. It should be rather called as rapidly emerging economy. Opening its doors to globalization in the nineties led to the miraculous growth story that India is today. During 1990s India was one of the fastest growing economies in the world and has since seen a long and unprecedented period of welfare enhancement. India,s trade as a proportion of GDP rose 13.1 per cent in 1990 to 20.3 per cent in 2000. But the last decade has been one of the most tumultuous and volatile times for India. It witnessed, the most gruesome terror attacks, shocking financial scams were unearthed coupled with low growth rate and high inflation. Considering all these facts there arises a question of whether India is heading towards stagflation. In this context the paper attempts to discuss the looming spectre of stagflation, inflationary trends and growth rate of the economy.